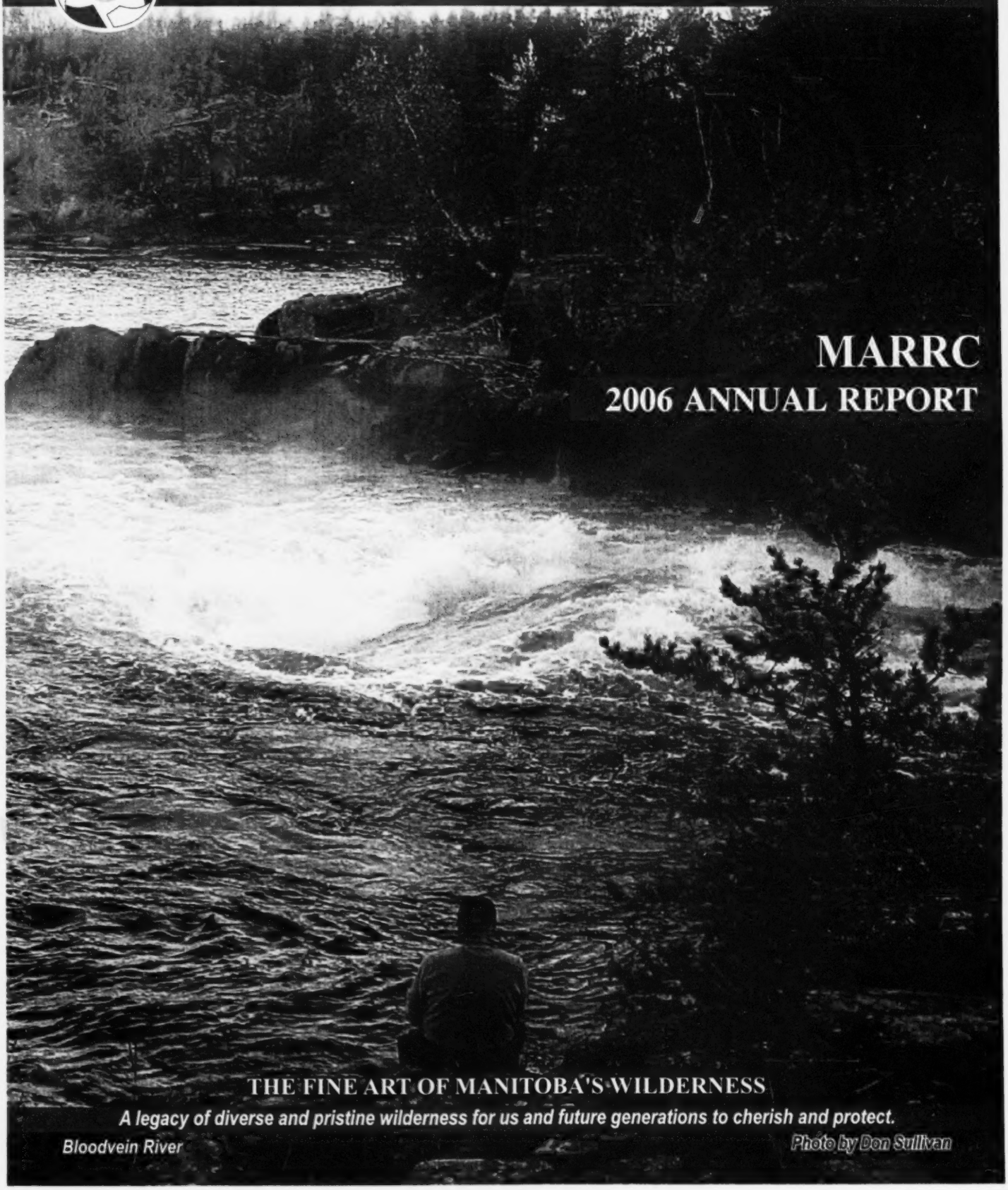
Manitoba Association for Resource Recovery Corp.



MARRC
2006 ANNUAL REPORT

THE FINE ART OF MANITOBA'S WILDERNESS

A legacy of diverse and pristine wilderness for us and future generations to cherish and protect.

Bloodvein River

Photo by Don Sullivan

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Annual General Meeting

Tuesday, April 24, 2007
10:30 am

Sheraton Cavalier Hotel
612 Spadina Crescent East
Saskatoon, Saskatchewan
S7K 3G9

Overview of MARRC

The Manitoba Association for Resource Recovery Corp. (MARRC) is a non-profit corporation established in 1997 by manufacturers and marketers of lubricating products in Manitoba. Its mandate is to develop, implement and administer a cost-effective, sustainable, user-financed, province-wide stewardship program for used oil, used oil filters and used oil containers.

MARRC was incorporated under The Corporations Act of Manitoba on April 1, 1997. It operates in accordance with a Letter of Approval issued by Manitoba Environment on February 26, 1998 under Section 7 of the "Used Oil, Oil Filters and Containers Stewardship Regulation" of the Waste Reduction and Prevention Act.

MARRC received a letter of approval dated January 24, 2003, from the Minister of Conservation extending the Stewardship Plan term for an additional five years to December 14, 2007.

The Corporation derives revenue principally in the form of Environmental Handling Charges (EHCs) applied to the sale or consumption of selected lubricating products in Manitoba. The Corporation's primary expenses are related to the:

- establishment and operation of a publicly-accessible network of licenced collection facilities for used lubricating products,

- payment of Return Incentives to companies licenced by the province and registered with MARRC to collect used lubricating products and transfer them to approved processors and end-users,

- payment of Processing Incentives to companies licenced by the province and registered with MARRC to recycle used lubricating products, and

- development and distribution of public education materials.

MARRC's affairs are managed by a six-person Board of Directors drawn from the member companies of MARRC and from other stakeholder organizations.

MINISTER OF CONSERVATION

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

FEB 2 8 2007

Mr. Ron Benson
Executive Director
Manitoba Association for
Resource Recovery Corp.
35 - 1313 Border Street
Winnipeg MB R3H 0X4

Dear Mr. Benson:

Congratulations to you and the Board of Directors of the Manitoba Association for Resource Recovery Corp. as you enter your tenth year. In that time, you have assisted with the recovery of more than 110 million litres of used oil, almost 12 million used oil filters and 1.4 million kgs of plastic containers. That is a significant achievement which has protected Manitoba's environment for future generations.

In the coming year, MARRC will be asked to review its business plan and submit it for public review and comment. I believe it is important to periodically review our product stewardship activities and seek ways to enhance them.

I look forward to your future plans for managing waste oil products and protecting our environment.

Yours sincerely,

Stan Struthers

Stan Struthers
Minister of Conservation

Members of MARRC

AGCO Corporation
AMSOIL Inc.
ATP-Inc.
AUTO-CAMPING Ltd.
Acklands - Grainger Inc.
Advic Bearing and Auto Ltd.
Affinia Canada Corp.
Agip Canada Inc.
Air BP Canada Ltd.
Airparts Network Ltd.
Altrom Canada Corporation
ArvinMeritor
Applied Industrial Technologies Ltd.
AutoTrans Inc.
BMW Canada Inc.
BOSS Lubricants
Barret Marketing Group Ltd.
Baldwin Filters
Beck/Arnley
BestBuy Distributors Limited
Bombardier Recreational Products Inc.
Buhler Versatile Inc.
CNH Canada Ltd.
CORE-MARK International, Inc.
CPT Canada Power Technology Limited
Canada Safeway Limited
Canadian Tire Corporation, Limited
Canadian Pacific Railway
Castrol Canada Inc.
Castrol Industrial North America Inc.
Champion Laboratories Inc.
Chevron Texaco Global Lubricants
Churchill Marine Tank Farm Co.
Cleanair Filter Service
Comairco Equipment
Complete Lube Supply Ltd.
Costco Wholesale Canada
Cummins Western Canada
DaimlerChrysler Canada Ltd.
Donaldson Company, Inc.
F.L. Viscosity Oil Co.
Federated Co-operatives Limited
Ford Motor Co. of Canada, Ltd.
Fort Garry Industries Ltd.
Fred Deeley Imports Ltd.
Freightliner Limited
Fuchs Lubricants Canada Ltd.
Gates Canada Inc.
General Motors of Canada Limited
Hastings Filters
Henkel Canada Corporation
Home Hardware Stores Limited
Honda Canada Inc.
Husqvarna Canada Corp.
Honeywell Automotive Products
Husky Energy Inc.
Hyundai Auto Canada
Imperial Oil
Industrial Truck Service Ltd.
International Truck & Engine Corp.
Irving Oil Limited
JKL Enterprises Inc.
Jimmy Diesel Parts Co.
John Deere Limited
Kinecor Inc.
King-O-Matic Industreis Ltd.
Kleen-Flo Tumbler Industries Limited
Kubota Canada Ltd.
Land Rover Group Canada Inc.
Lemky Rural Repair
Magnum Oil Mb. Ltd.
Manitoba Hydro
Maxim Transportation Services Inc.
Mazda Canada, Inc.
Mercedes-Benz Canada Inc.
Mid-Canada Filtration Solutions
Midas Canada Inc.
Midwest Hydraulics Inc.
Mining Technologies International Inc.
Mitsubishi Fuso Truck of America Inc.
Modern Sales Co-op
Mohawk Lubricants Ltd.
Motion Industries (Canada) Inc.
Motor Coach Industries Ltd.
Mr. Lube Canada Inc.
NemCo Resources Ltd.
Newalta Corporation
New Flyer Parts
Nissan Canada Inc.
Northern Industrial & Auto Ltd.
Nynas Canada Inc.
Oak Point Oil Distributors
Oil Depot Limited
Oil Mart Ltd.
PACCAR of Canada, Ltd. Parts Division
PSC-Power Source Canada Ltd.
Parker Hannifin
Parts Canada
Pauwels Canada Inc.
Pennzoil-Quaker State Inc.
Petro-Canada Lubricants
Porsche Cars Canada, Ltd.
Precambrian Wholesale Limited
Prévost Car Inc.
Radiator Specialty Company of Canada Ltd.
Robert Bosch Inc.
Safety-Kleen Canada Inc.
Sears Canada Inc.
7-11 Canada
Shell Canada Products
Sodisco-Howden
Southwestern Petroleum Canada Limited
Subaru Canada Inc.
Suzuki Canada Inc.
Terratech Equipment Inc.
Tex Lubricants
Texas Refinery Corp. of Canada Limited
The North West Company Inc.
TruServ Canada Cooperative Inc.
Toromont Industries Ltd.
Toyota Canada Inc.
UAP Inc.
USI - AGI Prairies Inc.
Valvoline Canada Ltd.
Volkswagon Canada Inc.
Volvo Cars of Canada Corp.
Volvo Trucks Canada Inc.
Wainbee
Wajax Industries
Wakefield Canada Inc.
Wal-Mart Canada Inc.
Wallace & Carey Ltd.
Waterous Power Systems
Westcon Equipment & Rentals Ltd.
Western Turbo & Fuel Injection Ltd.
Westfair Foods Ltd.
Westfalia Surge Canada Co.
Worldpac Canada Inc.
Yamaha Motor Canada Ltd.
Yetman's Ltd.
Zellers / Hudson's Bay Co.

MARRC - Making every drop count

Highlights of 2006

Initiatives drive awareness and support

Colouring Contest Promotion

Jan. 15 to Apr. 30 MARRC develops locally its second ***Colouring Contest Promotion*** for school grades K-6 throughout Manitoba. The Department of Education assists by distributing the "Attention Teachers" poster to those schools in Manitoba. A sample of the colouring poster is shown below. MARRC is very proud of the results… 5678 students from 124 rural and 70 city schools participate. Students are also encouraged to participate in the EcoSchool animation on the website. They are rewarded with a Bookmark, a Mr. Oil Drop Beanie Baby and a Used Oil Recycling Toque. Ten mountain bikes courtesy of Canadian Tire, are awarded from a draw and presented by Manitoba Conservation Minister, Stan Struthers, at the Canadian Tire store on Regent Ave. in June 2006.

Bookmarks

One of 5,678 Submissions
(Colouring by Students)

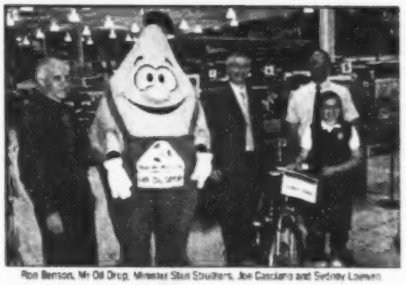
Teacher's Poster

Used Oil Recycling Colouring Contest Takes Off!

The 7 winners in attendance were (from left to right): Sydney Loewen - Immaculata Heart of Mary, Erin Pusenko - Belmont School, Chelsea Kent - Windsor Whyte, Vance Preiwer - Elmwood School in Arborg, Kiara Cinovska - Lord Selkirk, Melvin Mousseau - Deloraine Elementary in Deloraine, Sierra Stove - Brecklands School.

5,678 students entered the colouring contest from a total of 194 schools throughout Manitoba (124 rural & 70 in Winnipeg), a 60% increase in participation over last year!

The 10 grand prize winners won mountain bikes courtesy of Canadian Tire. They were presented on June 6, 2006, by the Minister of Conservation Stan Struthers, Joe Casciano of Canadian Tire and Ron Benson of the Manitoba Association for Resource Recovery Corp. (MARRC)



Ron Benson, Mr Oil Drop, Minister Stan Struthers, Joe Casciano and Sydney Loewen

Winnipeg Free Press Coverage

Classmates and Teachers

Beanie Babies

Toques

Minister Stan Struthers presents Mountain Bikes at Canadian Tire

Highlights of 2006

EcoSummer Lucky Lotto Keychain Promotion

Mailer to Winnipeg & Rural Communities

June to Sept.15 MARRC develops locally a Lucky Lotto Keychain Promotion with a "specific call to action" for EcoSummer 2006. *You could WIN A NEW CAR…with your Lucky Lotto Keychain.*

"To enter, just take your used oil, filters and plastic oil containers to your Licenced Collection Depot, sign the collection log and receive your Lucky Lotto Keychain".

MARRC secures thousands of dollars in prizes from its partners for a clean environment including a new car. (See Mailer)

MARRC distributes the EcoSummer Mailer to:

175,000 households in Winnipeg (twice).
150,000 households and acreages in rural Manitoba.

100% of MARRC's network of 71 Licenced Collection Depots participate in the promotion.

Over 4,500 Lucky Lotto Keychains are handed out in response to the receipt of used oil, filters and containers (1 per customer only).

Winners are announced and prizes are awarded with coverage in the Winnipeg Free Press and rural newspapers. Collection volumes at the depots reflect noticeable increases.

Page 1

Highlights of 2006

Recycling used oil products
IS AS EASY AS 1-2-3!
1
Take your used oil, filters and CONTAINERS to any of the 71 Licensed Collection Depots in Winnipeg or rural Manitoba.
Recycle your Used Oil Containers!
Valvoline
For your nearest Used Oil Depot, call toll free:
1-888-410-1440 or visit us at:
www.usedoilrecycling.com

Page 2

Page 3

From left to right Ron Benson Executive Director, MARRC. Jarrett Beyko. Sales Manager Jim Gauthier. Grand Prize Winner Nicole Kurtz. Joe Casciano Chairman MARRC. Mr. Oil Drop.

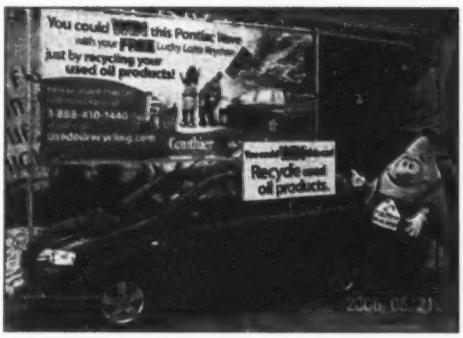
LUCKY LOTTO KEYCHAIN CONTEST WINNER

Manitoba's Used Oil Recycling Program (MARRC) is pleased to announce its Grand Prize winner from the Lucky Lotto Keychain Contest. Justin Kurtz has won a brand new 2006 Pontiac Wave for having Lucky Lotto Keychain # 3771 which was obtained from the Canadian Tire Polo Park location. The presentation was made to Justin's wife Nicole at the showroom of Jim Gauthier, 2400 McPhillips St.

There were 4,567 total keychains (one per person) distributed at the 71 used oil, filter and oil container licensed depots located throughout Manitoba. To see if you are a winner in this year's Lucky Lotto Keychain contest please call 1-888-410-1440.

Newspaper Coverage

Page 4


You could win this Pontiac Wave with your FREE Lucky Lotto Keychain just by recycling your used oil products!
1-888-410-1440
Gauthier
Recycle used oil products.

Highlights of 2006

Community Participation

Winnipeg Goldeyes Professional Baseball

Summer — MARRC participates as a key partner with the Winnipeg Goldeyes professional baseball team. The partnership includes advertising in 104 games on radio with 60 second commercials featuring the used oil recycling jingle and a specific message regarding the EcoSummer promotion. MARRC also participates in 12 games at the entrance promenade with the fans, including an on field introduction of Mr. Oil Drop for "Race the Mascot" held at each game. Fridge magnets highlighting the 10 Licenced Depots in Winnipeg are handed out to the fans. (Attendance averages 6,000 per game).

Goldie & Mr. Oil Drop running the bases at the Stadium

Fridge Magnet

Breast Cancer Run

MARRC participates at the Breast Cancer Run on October 1, 2006.
Crowd congregates with Mr. Oil Drop at the MTS centre.
Over 6,000 enter the Run.

Mr. Oil Drop at MTS Centre

Family pays tribute to their mother

Highlights of 2006

Strategic Planning Session

Aug. 22-24 MARRC hosts the Combined Strategic Planning meeting of SARRC, AUOMA, BCUOMA and SOGHU Directors and Staff at the Inn at the Forks in Winnipeg, August 22-24. The session focuses on addressing strategic issues and team building. The theme of the meeting is "Commitment to Leadership".

Bursaries awarded for a fourth year

Bursaries are awarded to 6 students ($500 each) qualifying in Environmental Studies at the University of Manitoba, University of Brandon and the University of Winnipeg.

Rural interface

Nov. 1 & Nov. 9 MARRC participates as a presenter at the Manitoba Product Stewardship Corporation's (MPSC) Annual Workshops in Winnipeg and Brandon on the subject of reducing waste in Manitoba. In attendance are municipal delegates from throughout the province.

EcoCentre / Collection Depot network maturing at 74

MARRC's rural network of EcoCentres stands at ***53*** exceeding the minimum network objective established by the province's multi stakeholder Used Oil Management Committee in 1996. The network includes the northern locations of The Pas, Flin Flon and Thompson.

In addition there are ***21*** other facilities licenced by Manitoba Conservation for the collection of used lubricating products including 10 locations in Winnipeg along with the recent addition of Rorketon in the north.

Training and audits promote safety and compliance

Ongoing MARRC, as part of its contractual arrangements with owners/operators of collection facilities, provides initial and recurrent on-site training for management and staff. The training, and follow-up audits are designed to promote a safe operation and compliance with each facility's operating licence issued by Manitoba Conservation. During 2006, inspections were conducted at the licenced EcoCentre and collection depot facilities.

Green Manitoba Eco-Solutions

Manitoba's used oil stewardship program managed by MARRC forms the model for the enhanced product stewardship initiatives being launched by Green Manitoba. On April 26 MARRC participates as an invited guest to review the draft of the Tire Stewardship Regulation.

Collection volumes for 2006 extending in all zones

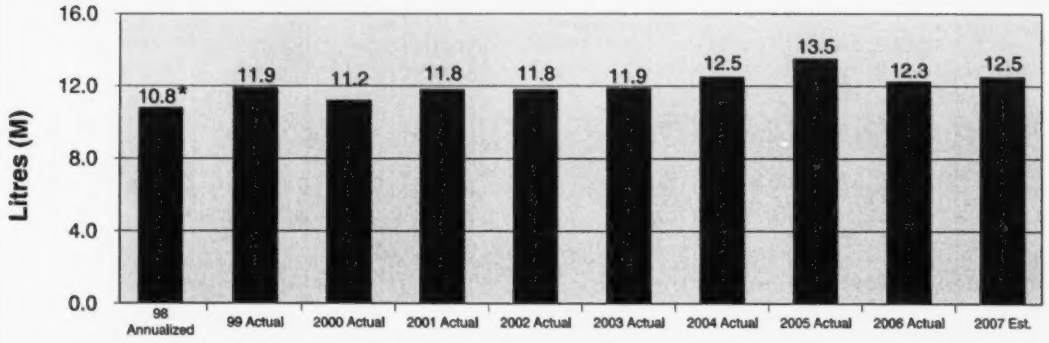
- Used oil: 12.3 million litres (75% of total recoverable)
- Used oil Filters: 1.61 million (83% of total recoverable)
- Used oil Containers: 189,000 kilograms (22% of total recoverable + 20% re-used*)

* Source: Pulse Research Ltd. Container Study 2004/2005

Plastic recycling was halted with the fire at XPotential Products Inc. on October 8, 2006. Miller Environmental Corporation was issued approval and commenced processing on November 8. The net effect was the loss of one month's production, the equivalent of an approximate 16K Kgs which would have resulted in an estimated processed total of 205 K Kgs, (24%) in 2006.

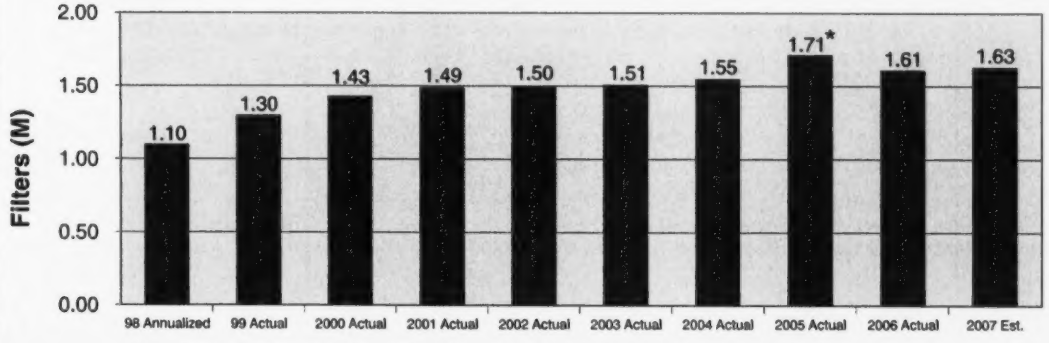
Collection Activity by Product

Oil (estimated total recoverable in 2006: 16.5 million litres)



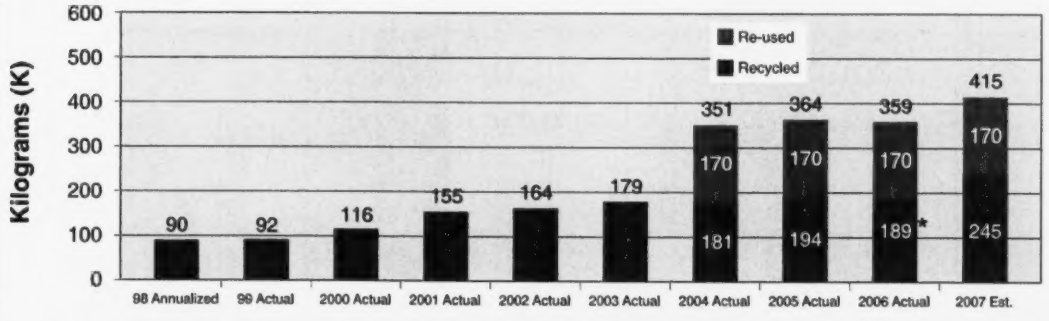
★ Pre-MARRC: 6.3 million liters

Filters (estimated total recoverable 2006: 1.93 million filters)



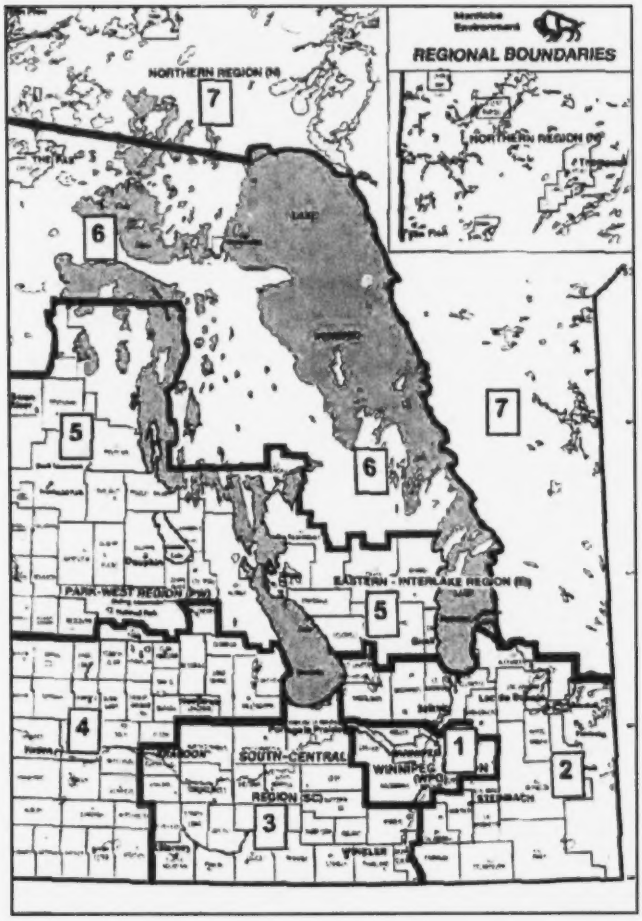
★ A portion of increase in 2005 reflects filters collected in 2004 but not processed until 2005

Containers under 30 litres capacity (estimated total recoverable in 2006: 874 thousand kilograms)



★ 1 month of processing affected by fire at XPotential Products Inc.
Volume loss estimated at 16k kgs.

Collection Activity by Zone

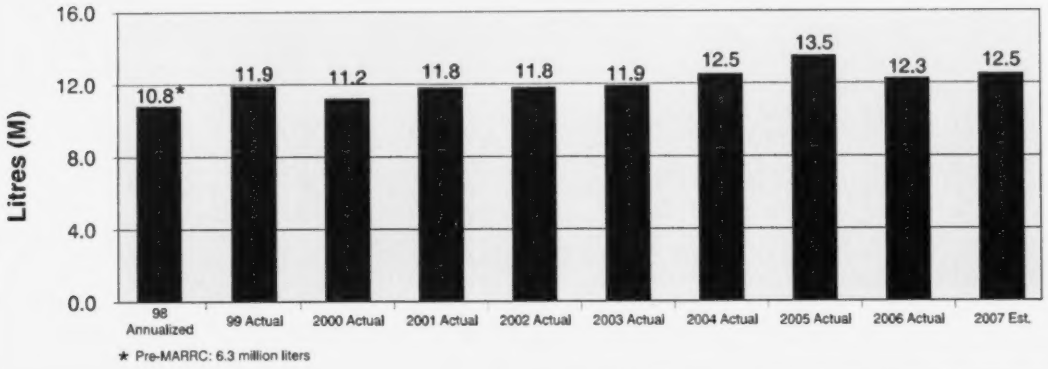


Collection Percentages by Zone

	Zone ►	1		2		3		4		5		6		7	
		'06	'05	'06	'05	'06	'05	'06	'05	'06	'05	'06	'05	'06	'05
%	Oil	64	64	8	9	13	14	4	4	5	4	1	1	5	4
	Filters	54	54	10	10	19	20	7	6	6	6	1	1	3	3
	Containers	38	35	13	13	18	19	9	9	12	13	1	2	9	9

Collection Activity by Product

Oil (estimated total recoverable in 2006: 16.5 million litres)



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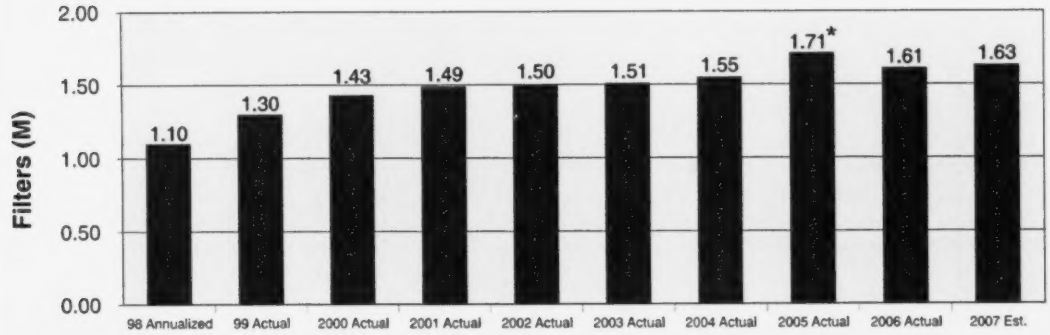

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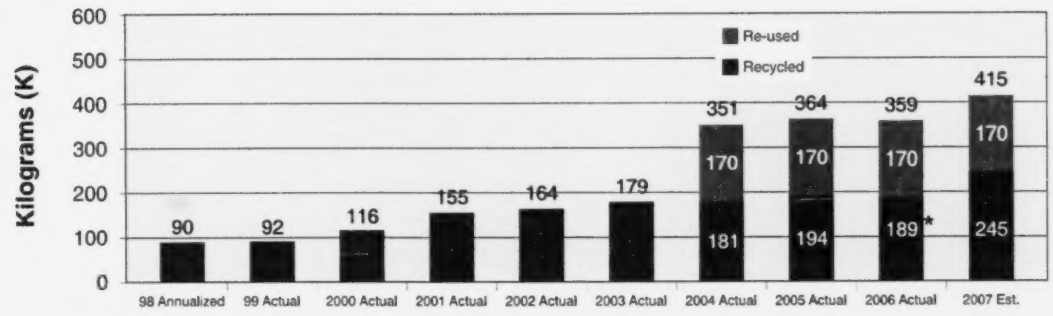

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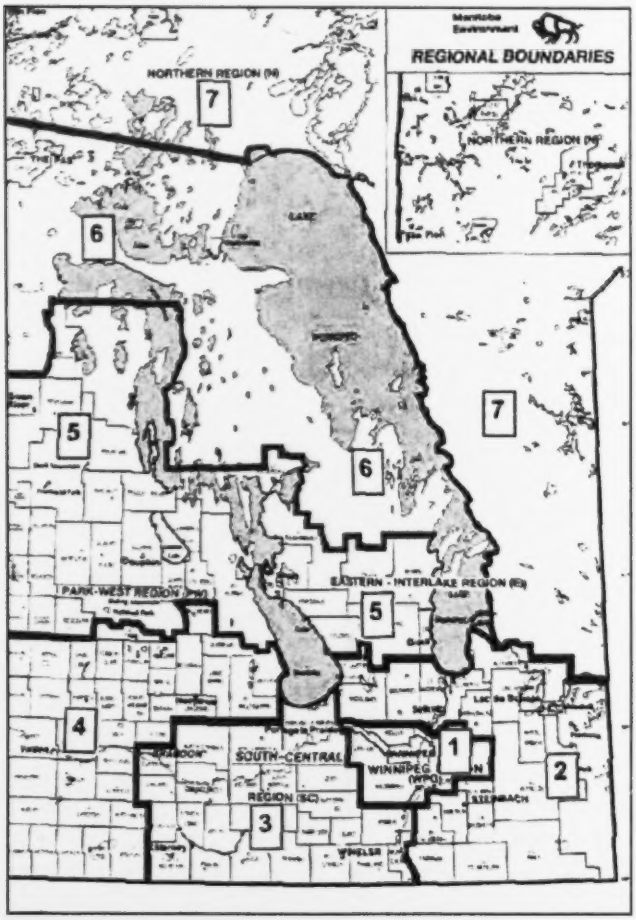

Collection Percentages by Zone

	Zone ►	1		2		3		4		5		6		7	
		'06	'05	'06	'05	'06	'05	'06	'05	'06	'05	'06	'05	'06	'05
%	Oil	64	64	8	9	13	14	4	4	5	4	1	1	5	4
%	Filters	54	54	10	10	19	20	7	6	6	6	1	1	3	3
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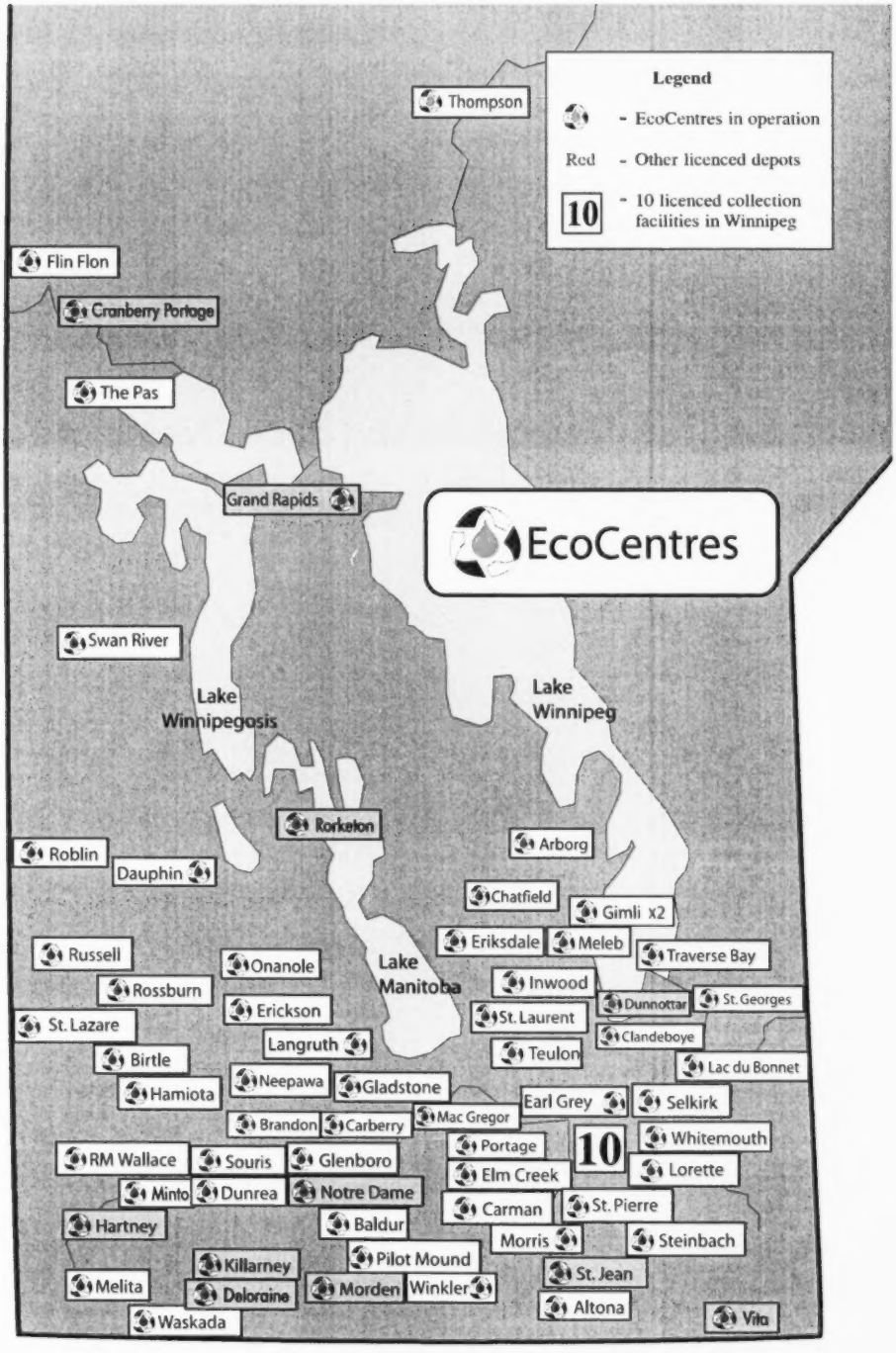
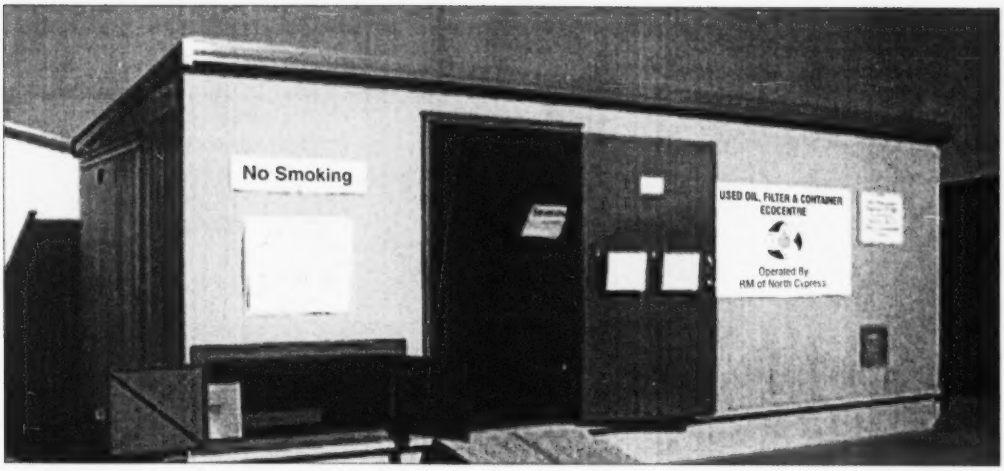
EcoCentre Network at December 31, 2006





EcoCentres

	Location	Owner/Operator
1	Steinbach	City of Steinbach
2	Carman	Town of Carman
3	Melita	S K L Enterprises Ltd.
4	Altona	Town of Altona / RM of Rhineland
5	Neepawa	Town of Neepawa
6	Selkirk	City of Selkirk
7	Russell	Town of Russell / RM of Russell / RM of Silver Creek
8	Glenboro	RM of South Cypress / Village of Glenboro
9	Minto	RM of Whitewater
10	Pilot Mound	Town of Pilot Mound
11	Baldur	RM of Argyle
12	Swan River	Town of Swan River
13	Hamiota	Town of Hamiota
14	Inwood	RM of Armstrong
15	Chatfield	RM of Armstrong
16	Meleb	RM of Armstrong
17	Virden	RM of Wallace
18	Arborg	Town of Arborg / RM of Bifrost / Village of Riverton
19	Gladstone	Town of Gladstone
20	Rossburn	Town of Rossburn / RM of Rossburn
21	Portage la Prairie	Portage & District Recycling Inc.
22	Teulon	Town of Teulon / RM of Rockwood
23	Brandon	City of Brandon
24	Earl Grey	RM of St. Andrews
25	Langruth	RM of Lakeview
26	Elm Creek	RM of Grey
27	The Pas	Town of The Pas

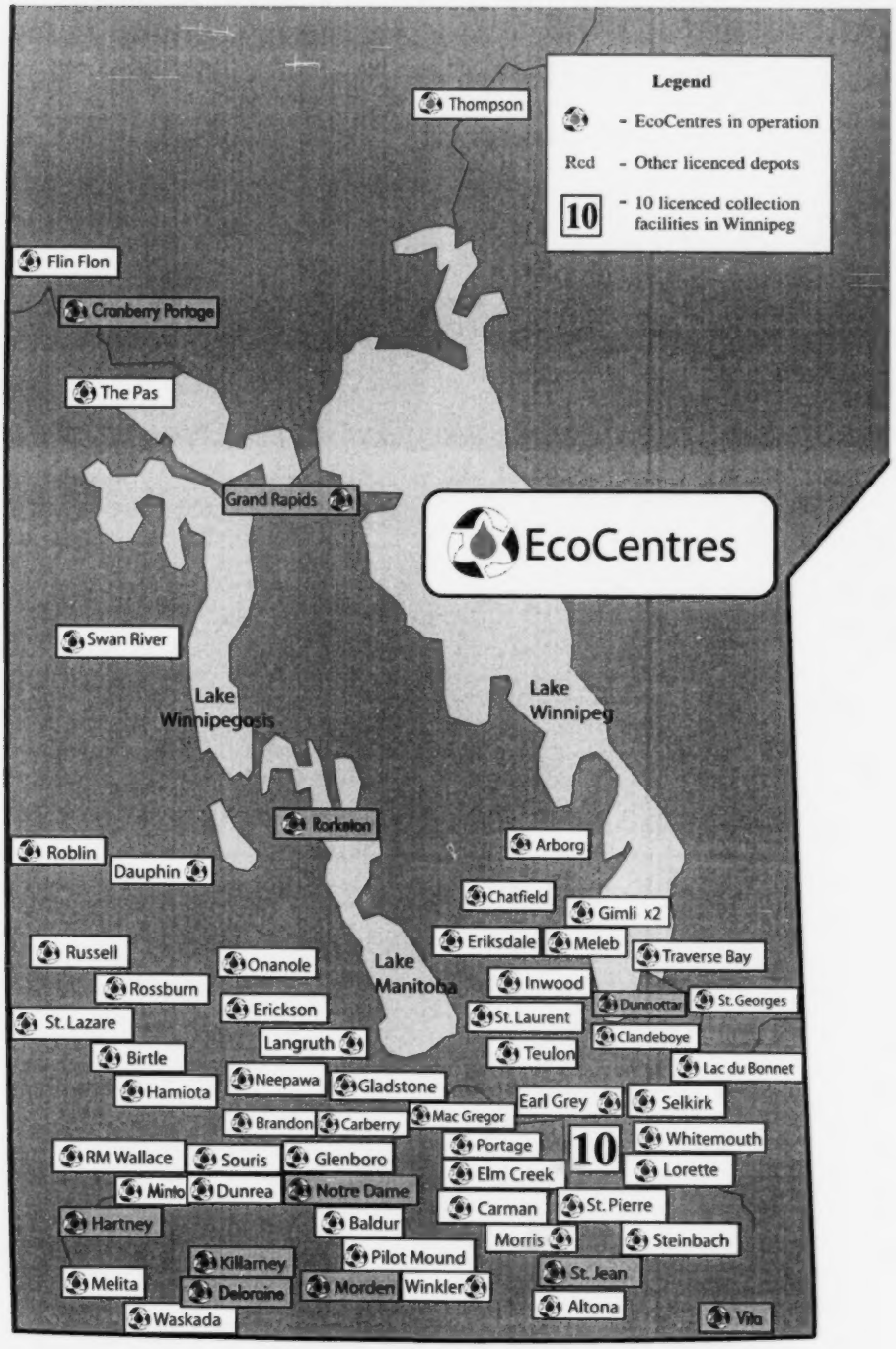
	Location	Owner/Operator
28	Winkler	City of Winkler
29	Morris	Town of Morris
30	St. Georges	RM of Alexander
31	Traverse Bay	RM of Alexander
32	Clandeboye	RM of St. Andrews
33	Dauphin	EcoOil Recycling Centre
34	Lac du Bonnet	RM of Lac du Bonnet
35	Waskada	RM of Brenda / Village of Waskada
36	Carberry	RM of North Cypress
37	Thompson	Thompson Recycling Centre
38	St. Laurent	RM of St. Laurent
39	Erickson	Town of Erickson / RM of Clanwilliam
40	Eriksdale	RM of Eriksdale
41	Flin Flon	City of Flin Flon
42	Dunrea	RM of Riverside
43	MacGregor	RM of North Norfolk / Village of MacGregor
44	Roblin	RM of Shell River / RM of Hillsburg
45	Onanole	RM of Park
46	Gimli	RM of Gimli
47	Arnes	RM of Gimli
48	Whitemouth	RM of Whitemouth / RM of Reynolds / North Whiteshell Provincial Park
49	St. Lazare	RM of Ellice / Village of St. Lazare
50	St. Pierre	RM of De Salaberry / Village of St. Pierre-Jolys
51	Lorette	RM of Taché
52	Souris	Town fo Souris / RM of Glenwood
53	Birtle	Town of Birtle / RM of Birtle

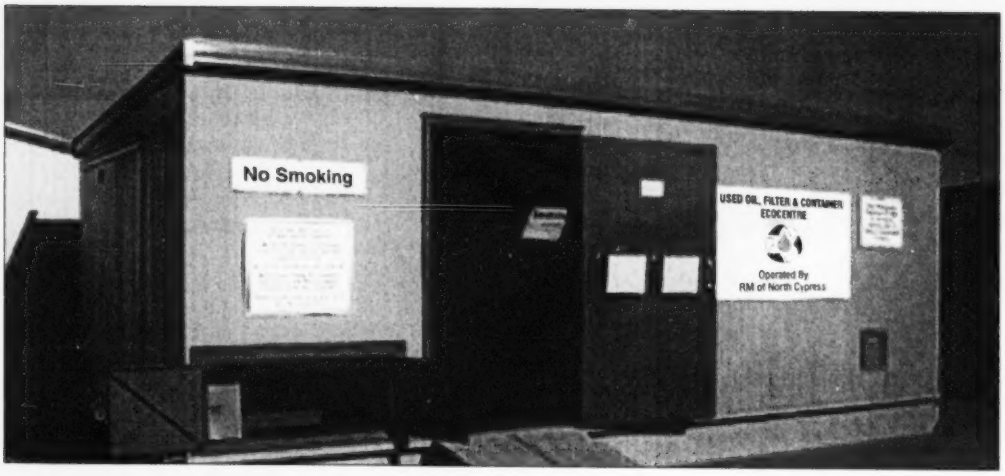
Other Licenced Collection Facilities

1	Winnipeg	A-1 Environmental Services 1447 Dugald Road
2	Winnipeg	Enviro West Inc. 1090 Kenaston Blvd.
3	Winnipeg	Miller Environmental Corporation 65 Trottier Bay
4	Winnipeg	WRS Waste & Recycling Services 940 Redonda
5	Winnipeg	Canadian Tire Garden City 2303 McPhillips
6	Winnipeg	Canadian Tire East Kildonan 1519 Regent Ave.
7	Winnipeg	Canadian Tire Polo Park 750 St. James
8	Winnipeg	Canadian Tire Fort Garry McGillvray & Kenaston
9	Winnipeg	Canadian Tire St. Boniface Fermor & Beaverhill
10	Winnipeg	Canadian Tire Unicity 3615 Portage Ave.

11	Notre Dame	Jean Farms Ltd.
12	Morden	Pembina Valley Containers Ltd. .
13	Hartney	Southwest Recycling
14	Grand Rapids	ET Developments Ltd.
15	Killarney	Town of Killarney
16	St. Jean	Miller Environmental Corporation
17	Dunnottar	Village of Dunnottar
18	Cranberry Portage	LUD of Cranberry Portage
19	Rorketon	RM of Lawrence
20	Vita	RM of Stuartburn
21	Deloraine	RM of Winchester

EcoCentre Network at December 31, 2006





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9	Minto	RM of Whitewater
10	Pilot Mound	Town of Pilot Mound
11	Baldur	RM of Argyle
12	Swan River	Town of Swan River
13	Hamiota	Town of Hamiota
14	Inwood	RM of Armstrong
15	Chatfield	RM of Armstrong
16	Meleb	RM of Armstrong
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19	Gladstone	Town of Gladstone
20	Rossburn	Town of Rossburn / RM of Rossburn
21	Portage la Prairie	Portage & District Recycling Inc.
22	Teulon	Town of Teulon / RM of Rockwood
23	Brandon	City of Brandon
24	Earl Grey	RM of St. Andrews
25	Langruth	RM of Lakeview
26	Elm Creek	RM of Grey
27	The Pas	Town of The Pas

	Location	Owner/Operator
28	Winkler	City of Winkler
29	Morris	Town of Morris
30	St. Georges	RM of Alexander
31	Traverse Bay	RM of Alexander
32	Clandeboye	RM of St. Andrews
33	Dauphin	EcoOil Recycling Centre
34	Lac du Bonnet	RM of Lac du Bonnet
35	Waskada	RM of Brenda / Village of Waskada
36	Carberry	RM of North Cypress
37	Thompson	Thompson Recycling Centre
38	St. Laurent	RM of St. Laurent
39	Erickson	Town of Erickson / RM of Clanwilliam
40	Eriksdale	RM of Eriksdale
41	Flin Flon	City of Flin Flon
42	Dunrea	RM of Riverside
43	MacGregor	RM of North Norfolk / Village of MacGregor
44	Roblin	RM of Shell River / RM of Hillsburg
45	Onanole	RM of Park
46	Gimli	RM of Gimli
47	Arnes	RM of Gimli
48	Whitemouth	RM of Whitemouth / RM of Reynolds / North Whiteshell Provincial Park
49	St. Lazare	RM of Ellice / Village of St. Lazare
50	St. Pierre	RM of De Salaberry / Village of St. Pierre-Jolys
51	Lorette	RM of Taché
52	Souris	Town fo Souris / RM of Glenwood
53	Birtle	Town of Birtle / RM of Birtle

Other Licenced Collection Facilities

1	Winnipeg	A-1 Environmental Services 1447 Dugald Road
2	Winnipeg	Enviro West Inc. 1090 Kenaston Blvd.
3	Winnipeg	Miller Environmental Corporation 65 Trottier Bay
4	Winnipeg	WRS Waste & Recycling Services 940 Redonda
5	Winnipeg	Canadian Tire Garden City 2303 McPhillips
6	Winnipeg	Canadian Tire East Kildonan 1519 Regent Ave.
7	Winnipeg	Canadian Tire Polo Park 750 St. James
8	Winnipeg	Canadian Tire Fort Garry McGillvray & Kenaston
9	Winnipeg	Canadian Tire St. Boniface Fermor & Beaverhill
10	Winnipeg	Canadian Tire Unicity 3615 Portage Ave.

11	Notre Dame	Jean Farms Ltd.
12	Morden	Pembina Valley Containers Ltd. .
13	Hartney	Southwest Recycling
14	Grand Rapids	ET Developments Ltd.
15	Killarney	Town of Killarney
16	St. Jean	Miller Environmental Corporation
17	Dunnottar	Village of Dunnottar
18	Cranberry Portage	LUD of Cranberry Portage
19	Rorketon	RM of Lawrence
20	Vita	RM of Stuartburn
21	Deloraine	RM of Winchester

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Manitoba Association for Resource Recovery Corp.

Financial Statements
December 31, 2006

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PRICEWATERHOUSECOOPERS

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Facsimile +1 (204) 944 1020

March 5, 2007

Auditors' Report

To the Members of
Manitoba Association for Resource Recovery Corp.

We have audited the balance sheet of **Manitoba Association for Resource Recovery Corp.** ("the Corporation") as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

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Manitoba Association for Resource Recovery Corp.

Balance Sheet

As at December 31, 2006

	2006 $	2005 $
Assets		
Current assets		
Cash and short-term investments	2,111,307	2,100,046
Environmental handling charges receivable	761,235	741,969
Accrued interest receivable	65,602	39,967
Other receivables	11,412	11,412
Prepaid expenses and deposits	905	905
	2,950,461	2,894,299
Restricted cash (note 3)	48,543	47,265
Capital assets		
Office furnishings, equipment and leaseholds	22,741	18,041
Less: Accumulated amortization	16,215	14,595
	6,526	3,446
	3,005,530	2,945,010
Liabilities and Net Assets		
Current liabilities		
Return and processing incentives payable	232,016	236,497
Accounts payable and accrued liabilities	296,831	324,264
	528,847	560,761
Net Assets		
Unrestricted	2,421,614	2,333,538
Restricted (note 3)	48,543	47,265
Invested in capital assets	6,526	3,446
	2,476,683	2,384,249
	3,005,530	2,945,010

Commitments (note 4)

Approved by the Board of Directors

Director Director

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Manitoba Association for Resource Recovery Corp.

Statement of Changes in Net Assets

For the year ended December 31, 2006

				2006	2005
	Unrestricted $	Restricted $	Invested in capital assets $	Total $	Total $
Balance - Beginning of year	2,333,538	47,265	3,446	2,384,249	1,169,010
Excess (deficiency) of revenue over expenses	92,776	1,278	(1,620)	92,434	1,215,239
Purchase of capital assets	(4,700)	-	4,700	-	-
Balance - End of year	2,421,614	48,543	6,526	2,476,683	2,384,249

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Manitoba Association for Resource Recovery Corp.

Statement of Operations

For the year ended December 31, 2006

	2006 $	2005 $
Revenue		
Environmental handling charges	3,214,902	3,301,650
Interest income	79,201	54,128
Membership fees	1,400	1,595
	3,295,503	3,357,373
Expenses		
Return and processing incentives	2,446,875	2,663,677
EcoCentre support costs (note 6)	278,084	274,005
Wages, contract and benefits	150,841	142,624
Public relations and promotion (note 7)	138,144	128,366
Professional fees	38,757	45,573
Meetings	34,341	721
Office and administration	30,112	25,156
Compliance audits	30,091	34,434
Rent	14,688	12,349
Directors	11,960	15,472
Travel and automobile	10,530	10,808
Insurance	7,603	7,342
Telephone and fax	5,478	5,613
Bursaries	3,000	3,000
Amortization	1,620	279
Bank charges and interest	945	1,090
Stewardship program review	-	4,189
	3,203,069	3,374,698
Excess (deficiency) of revenue over expenses before the following	92,434	(17,325)
Inter-jurisdictional revenue reallocations (note 8)	-	1,232,564
Excess of revenue over expenses	92,434	1,215,239

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Manitoba Association for Resource Recovery Corp.

Statement of Cash Flows

For the year ended December 31, 2006

	2006 $	2005 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	92,434	1,215,239
Item not affecting cash		
Amortization	1,620	279
	94,054	1,215,518
Net change in non-cash working capital items	(76,815)	24,769
	17,239	1,240,287
Investing activities		
Restricted cash	(1,278)	(637)
Purchase of capital assets	(4,700)	(2,670)
	(5,978)	(3,307)
Increase in cash	11,261	1,236,980
Cash and short-term investments - Beginning of year	2,100,046	863,066
Cash and short-term investments - End of year	2,111,307	2,100,046
Cash and short-term investments consists of		
Cash in bank	304,411	294,846
Guaranteed investment certificates	1,806,896	1,805,200
	2,111,307	2,100,046

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Manitoba Association for Resource Recovery Corp.

Notes to Financial Statements

December 31, 2006

1 Incorporation and purpose

The Corporation was formed by oil and oil filter first sellers in Manitoba to develop, implement and administer a used lubricating products stewardship program in the province and began operation on January 1, 1997. The Corporation was incorporated as a not-for-profit organization without share capital under The Corporations Act of Manitoba on April 1, 1997. On February 26, 1998, the Corporation received approval to operate its used lubricating products stewardship program from the Minister of Environment, Province of Manitoba.

As a non-profit organization, no provision for corporate income taxes has been made in these financial statements pursuant to paragraph 149(1)(l) of the Income Tax Act.

2 Significant accounting policies

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization of office furnishings, equipment and leaseholds is calculated on a straight-line basis at an annual rate of 20% based on the estimated useful lives of these assets.

Revenue recognition

a) Environmental handling charges

Revenue from environmental handling charges is recognized in the year for which suppliers and end-users assess it, as regulated by the Used Oil, Oil Filters and Containers Stewardship Regulation.

b) Membership fees

The one-time membership fees are recorded as revenue when the participating companies join the Corporation.

c) Interest income

Interest income on unrestricted funds is recognized in general operations when earned. Interest income on restricted funds is recognized when earned in restricted operations.

Return and processing incentives

The return and processing incentives are recognized as an expense in the year to which the claim relates.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

3 Restricted cash

As of December 31, 2006, the amount of monies placed in a lawyer's trust account as part of negotiations to settle the Corporation's potential interest in two EcoCentre buildings held as inventory by the building supplier and one operating EcoCentre is $48,543 (2005 - $47,265). It is uncertain whether any of the funds will need to be released from trust to settle any potential liability.

4 Commitments

Operating lease

The annual minimum rental for leased premises under a lease to February 28, 2008 is as follows:

	$
Fiscal year ending December 31, 2007	15,169
2008	2,528

General

The Corporation is obligated to use its unrestricted net assets, in future years, to fund the return and processing incentives, the operation of EcoCentres and to provide stakeholder communication and public education materials for the used lubricating products stewardship program.

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EcoCentres

The Corporation has entered into five-year renewal agreements with 60 EcoCentres and licensed collection facilities that were established to provide no-cost drop-off centres for used oil materials.

As part of its contractual agreement with each EcoCentre owner-operator, the Corporation is committed to provide annual operating support until July 31, 2007. The operating support payment for the EcoCentres currently in operation is estimated to be $260,000 per annum until July 31, 2007.

5 Financial instruments

Fair value

The Corporation's financial assets and liabilities consist of cash and short-term investments, restricted cash, environmental handling charges receivable, accounts receivable, return and processing incentives payable, and accounts payable and accrued liabilities. The carrying value of these financial assets and liabilities approximates their fair values due to their short-term nature.

Credit risk

The Corporation is exposed to credit risk through its environmental handling charges receivable. The risk is minimized due to the large registrant base.

Interest rate risk

The Corporation's exposure to interest rate risk pertains to short-term investments, which are subject to future changes in interest rates.

6 EcoCentre support costs

	2006 $	2005 $
Operating support	257,127	254,601
Operational audits, training and supplies	17,957	14,861
Investment support	3,000	4,543
	278,084	274,005

7 Public relations and promotion

	2006 $	2005 $
EcoSummer	96,805	96,770
Colouring contest	31,267	15,263
Advertising and promotional material	6,580	6,566
Website	3,492	9,767
	138,144	128,366

8 Inter-jurisdictional revenue reallocations

During the fiscal year 2004, the Corporation determined that environmental handling charges (EHC) collected on sales in Alberta related to lubricating oil materials transported for use in Manitoba, were being remitted in error to the Alberta Used Oil Management Association (AUOMA) and not to the Corporation. The EHC should have been remitted to the jurisdiction in which the lubricating oil materials were used. AUOMA agreed to reallocate $1,232,564 of the EHC collected in 2004 and prior years to the Corporation. The amounts were paid to the Corporation in 2005.

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Manitoba Association for Resource Recovery Corp.

Board of Directors and staff

Back Row:
Aaron Strub (Administrative Services Manager), Keith Micklash (Secretary-Treasurer), Lutz Ehrentraut, Jean-Marc Morin, Ron Benson (Executive Director).

Front Row:
Keith Penner, Richard Waller, Joe Casciano (Chairman).

Board of Directors

Joe Casciano, Canadian Tire Corporation, Limited
Chairman

Keith Micklash, Magnum Oil Mb. Ltd.
Secretary Treasurer

Richard Waller, Imperial Oil
Director

Jean-Marc Morin, Shell Canada Products
Director

Keith Penner, Affinia Canada Corp.
Director

Lutz Ehrentraut, Canadian Automobile Association (CAA)
Director

Legal Counsel

Fillmore Riley, Barristers & Solicitors

Auditors

PricewaterhouseCoopers LLP, Chartered Accountants

Staff

Ron Benson - Executive Director
Aaron Strub - Administrative Services Manager

MARRC Office

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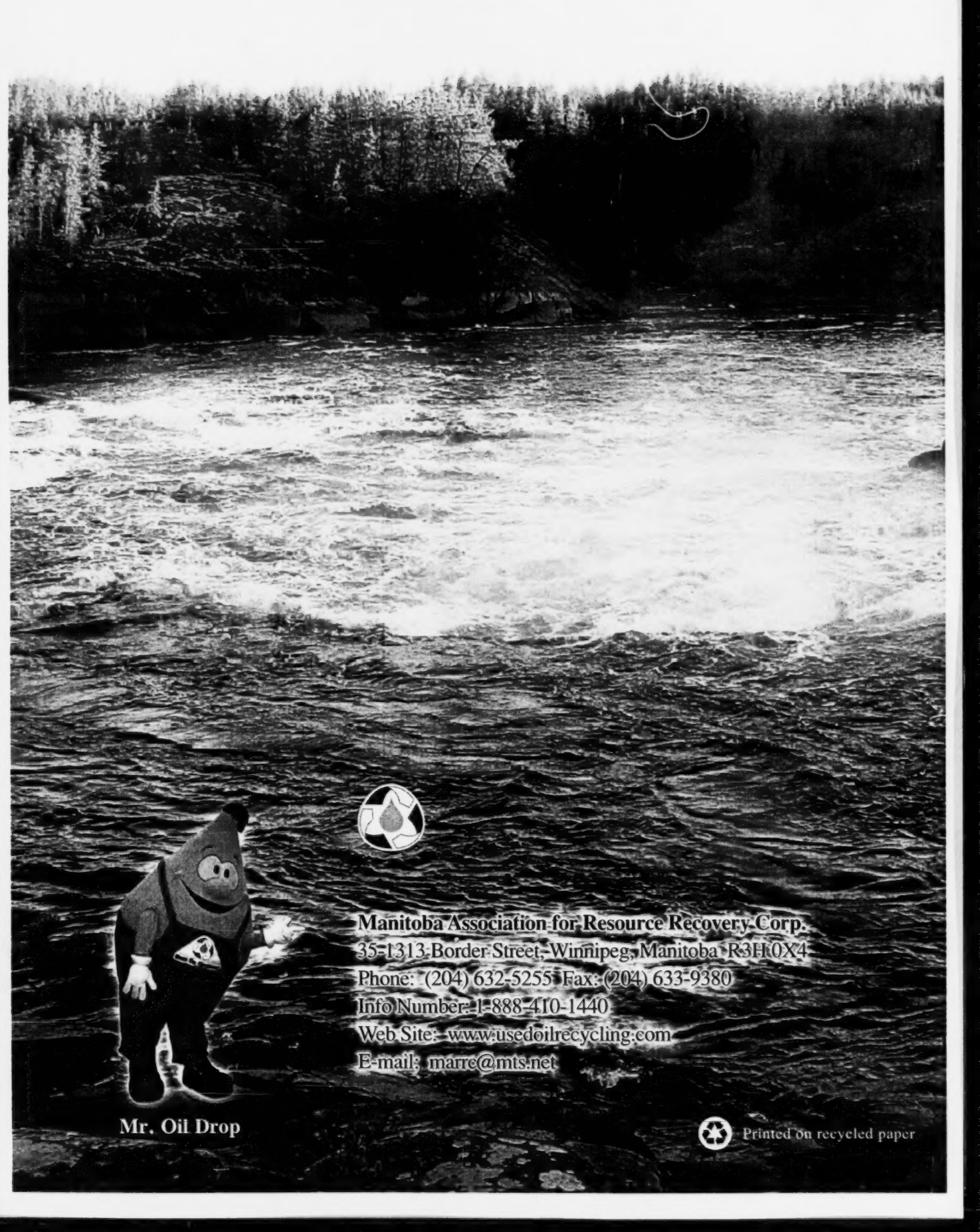
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